

Give and make – 632 words

24 June 2006

From The Economist print edition

Admirably, Bill Gates seems as serious about giving his money away as he was about making it

Not content with having devoted his career to amassing the biggest fortune in history, Bill Gates has said that he wants to devote the rest of his life to giving it away. Microsoft's chief software architect is not alone. Sandy Weill, recently retired from Citigroup, has committed himself to a deal "made with God" over his modest \$1.4 billion stash. That the moneyed are munificent is welcome, but that the best brains in business take the giving seriously matters, too. Philanthropy, done well, is a serious undertaking. Too often, the money is frittered away.

The giving is partly a result of all the receiving that has been going on. In an economy that tends to heap rewards on the best, the ranks of the very wealthy have recently been filling as fast as their pockets. A survey published this week by Capgemini, a consultancy, and Merrill Lynch, an investment bank, identified 85,000 people with more than \$30m of assets last year, over 10% more than in 2004. The total worth of the world's richest people – the 8.7m with "liquid" financial assets of more than \$1m – climbed by 8.5%, to \$33 trillion. Most of this wealth has come from success in business.

The urge to give can have many guises. Sometimes charity reflects a sense of mortality (as Joan Weill kindly reminded her husband: "shrouds don't have pockets"); sometimes, a vain hope of immortality, secured by your name on that university chair or hospital wing. Sometimes charity is rooted in a wish to deprive the taxman and decide for yourself how your money should be spent: why break the habit of a lifetime? Sometimes it stems from the fear that an inherited fortune would tempt the children into extravagance and luxury – a grievous sin, considering the blood and tears it took to make.

Now matter what the inspiration, philanthropy is good for doing all sorts of things governments fail at. Free of the vicissitudes of votes and public opinion, philanthropists can take on causes that are unpopular or neglected. They can innovate by promoting remedies that are otherwise unfeasible and remote. Sadly, however, the single mindedness applied to the accumulation is rarely applied in distribution.

In an article in the Harvard Business Review in 1999, Michael Porter and Mark Kramer, two academics, complained that charitable foundations spent too much on administration and did too little to measure how well their money was used. Their criticism still holds: Mr Porter condemns philanthropy as "decades behind business" in the way it uses its money. Others accuse charities of being elitist, secretive and arrogant.

Don't die disgraced

So applaud Mr Gates's decision to make giving away money his day job and to work at Microsoft part-time. With him around even more, the Gates Foundation, which already does a fine job, will do even better. He is also setting an example to those, such as his friend, Warren Buffett, history's richest Nebraskan, who look likely to leave the task to someone else. Not every donor needs to become a full-time philanthropist – a growing industry of intermediaries can help sort deserving schemes from the rest. What matters is that the giver should do more than simply hand over the money.

Andrew Carnegie, steel tycoon and philanthropist, touched on something noble when he said more than a century ago that the rich are "entrusted for a season with a part of the increased wealth of the community, but administering it for the community far better

than it did, or would have done, of itself." Capitalism has demonstrated that it is the best system for creating great fortunes. More capitalists should show that it is the best for getting rid of them, too.